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SUBJECT: Austrian Development Aid Panned as Vienna-Centric,  
Consultant-Heavy, and Potentially Biased

REF: A) 07 VIENNA 2496; B) 09 VIENNA 537; C) 09 VIENNA 645

¶1. SUMMARY: The GoA has just released a Court of Auditors report highly critical of the Austrian Development Agency (ADA). Instead of streamlining the assistance delivery, the ADA's creation in 2004 added a new layer of sometimes biased bureaucracy and diluted aid coordination with Austrian embassies and foreign partners abroad.  
END SUMMARY.

¶2. On October 1, the GoA Court of Auditors (Rechnungshof) published a report criticizing "outsourcing" and other management practices in the Austrian Development Agency (ADA). In 2004, the GoA decided to outsource more of its development assistance activities (ref A) to improve project effectiveness. While the ADA was successful in improving assistance capacity, it spent an excessive amount (EUR 2.5 million) on external consultants to help ADA find appropriate "business partnerships" -- i.e., Austrian companies willing to invest in the developing countries. The report also faults ADA for hiring too many Vienna-based employees, many of whom came from organizations which were also ADA grant recipients. Between 2004 and 2008, ADA staff in Vienna grew from 29 to 77 while the working relationship with Austrian embassies and ADA's overseas staff (c. 70 persons) stagnated.

¶3. With the ADA's bilateral aid budget stalled at about EUR 80 million for the last few years, the increased spending on management has produced a corresponding decrease in project funding. In addition to this funding squeeze, the auditor report identifies potential biases in some project awards, suggesting that ADA employees were directing projects towards their previous employers. In any case, the ADA funded too many small and inefficient projects. The Court of Auditors also faults the ADA for not rotating personnel responsible for allocating assistance funds (the established practice in international donor organizations).

¶4. The harsh auditor report led Finance Minister Proell (from the right-of-center OeVP party) to announce last week that the GoA is considering re-integrating the ADA into the Ministry of Foreign Affairs, as part of its broader administrative reform program. Refuting such thinking, NGO "Global Responsibility" spokesperson Ruth Picker argued in an open letter to FinMin Proell and Foreign Minister Spindelegger that the ADA suffers from "under-financing, not over-capitalization." Pro-assistance NGOs say that the GoA needs to step up its funding levels to make proper use of the ADA's capacity and to meet its international aid commitments.

COMMENT

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¶5. The original intent of creating the ADA as an efficient and distinct implementation agency (under MFA auspices) seems to have backfired. ADA has understandably sought to concentrate its limited resources on key countries, but tepid public support for foreign aid funding (and now the economic crisis) mean funding is sparse. With this latest, official critique of ADA practices, assistance policy faces a left-right onflict which puts the ADA's future in question. END COMMENT.

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